

# KENTUCKY ECONOMIC INDICATORS

January 2006 Indicators as of March 24, 2006

## **KY Composite Index of Leading Indicators increased 4.6 percent in January.**

- The Leading Index increased for the fourth consecutive month.
- The Leading Index rose by 1.5 percent over the same month last year.
- Four components were mostly positive, 4:1.
  - + KY Labor Intensity Index increased 3.2 percent.
  - + The US Leading Index increased 6.2 percent.
  - + The KY Index of Initial UI Claims increased 21.4 percent.
  - + US Retail Sales increased 41.5 percent.
  - The Louisville Help Wanted Index declined 8 points to 44.

*Component weights for January are 53.04, 19.78, 14.78, 10.65 and 1.75 respectively.*

## **KY Composite Index of Coincident Indicators decreased 0.2 percent in January.**

- The Coincident Index is negative for the first time in five months.
- Same-month-last-year growth is positive for the thirtieth consecutive month at 1.9 percent.
- Component indicators were mixed, 2:1.
  - + KY Total Nonagricultural Employment increased 1.2 percent.
  - US Industrial Production Index decreased 3.1 percent.
  - + US Personal Income Less Transfers increased 0.5 percent.

*Component weights for January are 40.40, 25.27, and 20.87 respectively. Component weights do not sum to one because two of the US components were discounted to give the Kentucky component more weight.*

The Kentucky Leading Index increased for the fourth consecutive month in January. The positive growth rate during this expansion has accelerated since September 2005, due in equal parts to continued solid growth in the Kentucky Index of Initial Unemployment Insurance Claims, the US Leading Index and US Retail Sales.

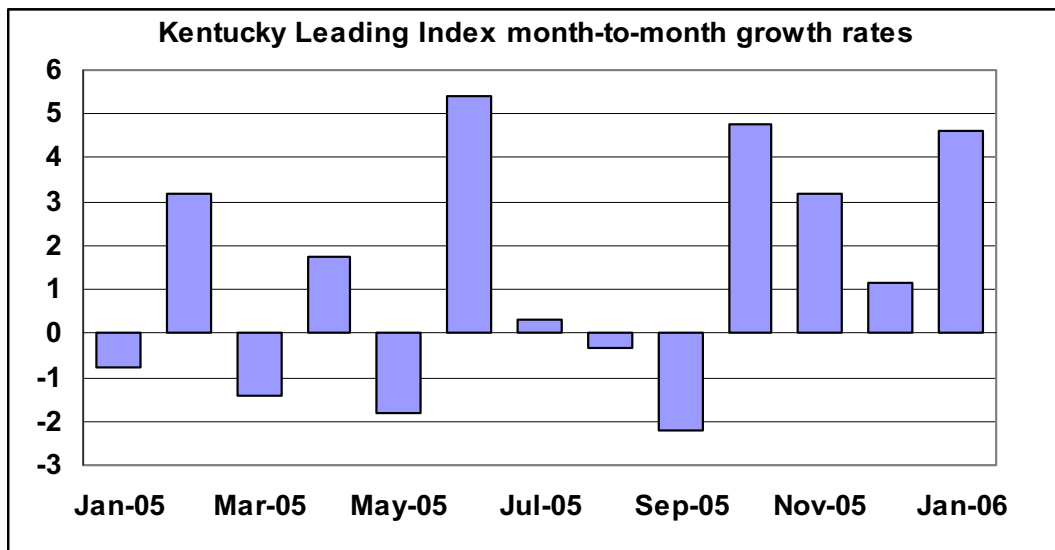
Four components were positive for January. The Kentucky Labor Intensity Index showed its strongest single month growth for the first time in over four years. The Kentucky Labor Intensity Index was boosted by several factors. First, the December 2005 values were revised down slightly in January. Second, when seasonally adjusted, four of the five sectors showed a small to moderate increase in employment during January. Chemical products employment, which is the second smallest employment category in the Index, showed a moderate decline in January. And finally, seasonally adjusted average weekly hours increased slightly for the same four employment categories during January. This is very encouraging for the Kentucky labor market and the whole Kentucky economy. The Kentucky Labor Intensity Index has the most weight in the Kentucky Leading Index. Therefore, it carries the most weight in determining pending turning points. The Kentucky Labor Intensity Index has been slow to show clear signs of growth since the end of the 2001 recession. The series has regained only 33.2 percent of its 2001 recession losses during the recovery so far.

The Kentucky Index of Initial Unemployment Insurance Claims was also strongly positive for January. The UI Index is composed of two components, Kentucky First Pays and US Initial Claims. Both components declined strongly for January, by 8.4 percent and 11.5 percent respectively. Both components are seasonally adjusted and therefore the declines are meaningful by comparison.

Kentucky Nonagricultural Employment again made a modest gain of 1,900 net jobs. The series has now regained 112.1 percent of the losses from the 2001 recession. Manufacturing Employment in Kentucky has not fared so well. It was unchanged for January and has not reached a clear trough since the 2001 recession ended.

Note: The Kentucky Nonagricultural Employment history from 1978 to 1989 was computed using NAICS data and extrapolating back with the SIC data. This methodology preserved the turning points perfectly and preserved the magnitudes to some extent. However, the variance of the new series was higher than the original SIC series. We now have sufficient history that we no longer need to rely on the older history. Therefore, 1978 to 1989 has been eliminated from the sample. All values for Kentucky Nonagricultural Employment will not change, as they have all been reported as NAICS values since the series was converted to NAICS. However, Kentucky Nonagricultural Employment is used in the computation of the Kentucky Coincident Index. The standard deviation of this series has been reduced by the concatenation of the history and therefore the absolute level of the Coincident Index and the growth rates have been affected to a small degree.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



### About the Indicators

#### Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

#### Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

#### Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, [www.osbd.ky.gov](http://www.osbd.ky.gov)

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**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2005												2006
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
KY Leading Index (1992=100)	114.8	115.0	114.9	115.1	114.9	115.4	115.4	115.4	115.2	115.6	115.9	116.0	116.5
% Chg Previous Month SAAR	-0.8	3.2	-1.4	1.7	-1.8	5.4	0.3	-0.3	-2.2	4.8	3.2	1.2	4.6
% Chg Same Month Last Year	1.3	1.3	0.7	1.0	0.6	1.0	1.3	1.0	0.8	1.1	1.3	1.1	1.5
KY Leading Index Diffusion Index	66.7	63.3	60.0	63.3	60.0	60.0	56.7	50.0	50.0	50.0	56.7	53.3	63.3
KY Coincident Index (1992=100)	129.4	129.7	129.7	129.7	130.0	130.5	130.5	129.6	130.3	130.8	131.3	131.8	131.8
% Chg Previous Month SAAR	-7.8	3.1	0.3	0.3	2.1	4.5	0.2	-7.5	6.0	4.9	5.1	4.9	-0.2
% Chg Same Month Last Year	2.1	2.2	2.2	2.0	1.9	2.4	2.1	1.2	1.8	1.7	1.9	1.2	1.9
KY Nonag Employment (000s)	1,810.4	1,815.5	1,816.2	1,821.2	1,823.3	1,826.1	1,822.7	1,831.1	1,832.1	1,833.4	1,833.9	1,836.0	1,837.9
% Chg Previous Month SAAR	0.1	3.4	0.5	3.4	1.4	1.9	-2.2	5.7	0.7	0.9	0.3	1.4	1.2
% Chg Same Month Last Year	1.0	1.4	1.2	1.4	1.7	1.6	1.6	1.7	1.6	1.6	1.5	1.4	1.5
KY Mfg Employment (000s)	262.9	262.7	263.0	263.4	263.1	263.0	256.8	261.9	262.1	263.0	262.7	262.0	262.0
% Chg Previous Month SAAR	-1.4	-0.9	1.4	1.8	-1.4	-0.5	-24.9	26.6	0.9	4.2	-1.4	-3.2	0.0
% Chg Same Month Last Year	-0.7	-0.7	-0.5	0.0	-0.4	-0.4	-0.5	-0.9	-0.7	-0.3	-0.5	-0.5	-0.3
KY Unemployment Rate (%)	5.4	5.6	5.8	5.9	6.0	6.1	6.2	6.2	6.4	6.4	6.4	6.5	6.3
KY Index of Initial UI Claims	102.7	104.0	103.4	103.6	102.6	103.4	103.3	102.9	100.1	102.4	103.2	103.7	105.4
% Chg Previous Month SAAR	-3.8	16.5	-7.1	2.4	-11.3	10.6	-1.7	-3.9	-28.7	30.9	10.3	6.2	21.4
% Chg Same Month Last Year	1.0	2.6	1.3	1.5	0.2	1.0	1.6	0.8	-2.5	-0.4	0.7	0.6	2.6
KY Labor Intensity Index (1992=100)	105.1	105.1	105.3	105.4	105.2	105.1	104.9	104.9	104.9	105.0	105.0	104.9	105.2
% Chg Previous Month SAAR	0.4	0.1	2.1	1.1	-1.8	-1.1	-2.2	-0.2	-0.6	1.4	0.2	-0.8	3.2
% Chg Same Month Last Year	0.5	0.3	0.4	0.5	0.3	0.2	0.2	0.0	-0.1	0.1	0.1	-0.1	0.1
Louisville HWI (1992=100)	42.0	41.0	40.0	38.0	39.0	41.0	41.0	46.0	56.0	54.0	52.0	52.0	44.0
% Chg Previous Month SAAR	33.5	-25.1	-25.6	-46.0	36.6	82.2	0.0	297.8	959.6	-35.4	-36.4	0.0	-86.5
% Chg Same Month Last Year	-16.0	-25.5	-28.6	-25.5	-18.8	-19.6	-8.9	-2.1	40.0	31.7	23.8	26.8	4.8
GF Total Tax Receipts (\$ mill)	659.6	500.8	568.6	808.4	525.6	738.7	573.9	555.1	778.4	632.7	631.1	836.3	681.4
% Chg Same Month Last Year	13.1	8.3	11.7	12.1	9.6	16.6	10.5	8.1	18.8	12.3	7.4	17.8	3.3
GF Sales & Use Receipts (\$ mill)	271.4	176.3	200.1	224.2	216.1	219.6	238.5	217.4	229.6	235.6	218.6	228.8	289.0
% Chg Same Month Last Year	8.8	7.5	8.2	3.1	5.1	9.9	5.5	2.7	11.1	5.2	8.7	5.1	6.5
GF Income Tax Receipts (\$ mill)	252.6	231.5	176.1	413.7	215.3	266.3	238.1	250.8	278.0	259.3	234.0	254.3	220.9
% Chg Same Month Last Year	21.9	6.6	24.0	12.8	13.6	-1.4	6.2	2.2	2.1	3.8	1.7	-1.8	-12.6

**SELECTED U.S. ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2005												2006
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
US Leading Index (1996=100)	135.8	136.3	135.4	135.5	135.6	137.1	136.9	137.0	135.8	136.9	138.2	138.6	139.3
% Chg Previous Month SAAR	-2.6	4.5	-7.6	0.9	0.9	14.1	-1.7	0.9	-10.0	10.2	12.0	3.5	6.2
% Chg Same Month Last Year	4.2	4.4	2.3	2.3	1.7	2.5	2.0	1.9	1.0	1.9	2.2	1.8	2.6
US Coincident Index (1992=100)	119.2	119.3	119.4	119.5	119.8	120.2	120.5	119.5	120.1	120.5	121.2	121.7	121.7
% Chg Previous Month SAAR	-6.8	1.0	1.0	1.0	3.1	4.1	3.0	-9.5	6.2	4.1	7.2	5.1	0.0
% Chg Same Month Last Year	2.9	2.8	2.4	2.3	2.2	2.6	2.6	1.4	2.0	1.9	2.3	1.5	2.1
US Nonag Employment (Mil.)	132.5	132.7	132.9	133.1	133.2	133.4	133.6	133.8	133.8	133.9	134.2	134.4	134.5
% Chg Previous Month SAAR	0.7	2.4	1.3	2.1	1.0	1.5	2.2	1.6	0.4	0.3	3.2	1.3	1.5
% Chg Same Month Last Year	1.6	1.7	1.6	1.5	1.4	1.5	1.6	1.7	1.6	1.3	1.5	1.5	1.6
US Unemployment Rate (%)	5.2	5.4	5.1	5.1	5.1	5.0	5.0	4.9	5.1	4.9	5.0	4.9	4.7
US Initial Claims for UI (000s)	330.1	307.4	337.8	321.9	334.7	320.7	316.7	317.0	404.7	350.5	322.8	316.9	284.2
% Chg Previous Month SAAR	0.4	-57.5	210.1	-43.9	59.7	-40.1	-14.0	1.1	1,774.5	-82.2	-62.8	-19.9	-72.9
% Chg Same Month Last Year	-7.0	-13.7	-1.9	-6.8	-2.6	-5.6	-7.5	-6.9	17.3	3.5	-3.4	-4.0	-13.9
US Industrial Production Index	106.9	107.4	107.3	107.2	107.4	108.3	108.3	108.6	107.2	108.4	109.4	110.4	110.2
% Chg Previous Month SAAR	2.3	4.7	-0.5	-1.4	2.8	10.0	-0.2	3.5	-14.7	14.6	11.7	12.3	-3.1
% Chg Same Month Last Year	4.2	3.7	4.0	3.1	2.4	3.7	3.1	3.1	2.0	2.4	3.2	3.5	3.0
US Personal Income Less Trans. (Bil. 92\$)	7,794.2	7,811.7	7,820.2	7,798.6	7,822.9	7,862.9	7,898.4	7,561.4	7,855.0	7,886.5	7,950.2	7,991.7	7,995.1
% Chg Previous Month SAAR	-34.3	2.7	1.3	-3.3	3.8	6.3	5.6	-40.7	58.0	4.9	10.1	6.4	0.5
% Chg Same Month Last Year	3.4	3.4	3.5	2.9	3.1	3.7	3.5	-1.1	2.8	2.2	2.6	-1.0	2.6
CPI, All Urban (1982-84=100)	191.4	192.1	193.2	194.1	194.0	193.9	195.1	196.2	198.6	199.1	197.8	197.7	199.0
% Chg Previous Month SAAR	1.3	4.5	7.1	5.7	-0.6	-0.6	7.7	7.0	15.7	3.1	-7.6	-0.6	8.2
% Chg Same Month Last Year	3.0	3.0	3.2	3.5	2.9	2.5	3.1	3.6	4.7	4.4	3.5	3.4	4.0
US Retail Sales (Bil. 84\$)	335.8	339.5	340.1	346.1	344.9	351.3	357.3	350.7	351.8	352.5	355.7	356.7	367.2
% Chg Previous Month SAAR	-5.8	14.3	2.0	23.4	-3.9	24.6	22.4	-19.9	3.7	2.6	11.2	3.6	41.5
% Chg Same Month Last Year	7.6	8.1	6.0	9.1	6.3	9.8	10.3	8.2	6.6	5.9	6.8	5.7	9.4
Manufacturing & Trade Sales (000s)	940.2	933.1	932.9	937.8	944.3	948.4	950.4	951.8	944.2	946.3	958.2	963.9	*963.8
% Chg Previous Month SAAR	4.3	-8.8	-0.3	6.5	8.6	5.3	2.6	1.8	-9.1	2.7	16.1	7.3	-0.1
% Chg Same Month Last Year	6.1	4.9	2.1	3.5	3.8	4.2	3.8	3.4	2.5	2.5	3.6	2.9	2.5
US Consumer Expectations (1966=100)	85.7	84.4	82.8	77.0	75.3	85.0	85.5	76.9	63.3	63.2	69.6	80.2	78.9
% Chg Previous Month AR	-50.7	-16.8	-20.5	-58.2	-23.5	328.0	7.3	-72.0	-90.3	-1.9	218.2	448.0	-17.8
% Chg Same Month Last Year	-14.4	-4.6	-6.8	-11.8	-7.7	-4.0	-6.3	-12.8	-28.1	-24.6	-18.3	-11.8	-7.9
Ave. Prime Interest Rate (% NSA)	5.25	5.49	5.58	5.75	5.98	6.01	6.25	6.44	6.59	6.75	7.00	7.15	7.26

\*ARIMA estimation